

FREQUENTLY ASKED QUESTIONS

Q: How much can I save if my property is assessed under the present-use valuation program?

A: Typically, the land's present-use value is considerably less than the market value, resulting in lower taxes. Depending on the number of acres, the savings could be significant.

Q: Is there any reason why I would not want to be included in this program if I qualify?

A: Yes. When property enters the program, the county tax office begins keeping records of taxes owed at both the present-use valuation and the market valuation. The taxpayer receives a bill based on the present-use value. The difference between taxes at present-use value and at market value is called the deferred tax. As long as the property qualifies for the program, the deferred tax will never become due and payable. However, when it is removed from the program, the deferred tax for the current year plus the three previous years will become due and payable along with interest.

Q: Once accepted into the present-use valuation program, is there anything I am obligated to do?

A: Yes, when you sign the application you are stating that you intend to use your property as listed on the application and that you understand the consequences of the deferred taxes. In the case of forest applications, you agree to manage the forest tract as outlined in your forestry management plan. If for any reason you change the use, you are required to notify the county tax office. Failure to notify the office of this change will result in penalties. All applications are periodically reviewed and it is important to understand that additional information may be needed during that review to remain in the program. Failure to provide this information will result in disqualification and subsequent billing of deferred taxes.

Q: What happens if I sell the property?

A: The property is taken out of the program. Deferred taxes are billed and are due immediately unless the property was transferred to another qualifying owner who submits an application to the county tax office within 60 days of the transfer and is approved.

DEFERRED TAXES

Land meeting the conditions for present use classification must be taxed on the basis of the value of the land for its present use. The difference between the taxes due on the present use basis and the taxes that would have been payable in the absence of this classification, together with any interest, penalties, or costs are a lien on the real property of the taxpayer. The taxes become due and payable when the land fails to meet any condition or requirement for classification. Interest accrues on the deferred taxes due as if they had been payable on the dates on which they originally became due. If only a part of the qualifying tract of land fails to meet a condition or requirement for classification, the assessor must determine the amount of deferred taxes applicable to that part and that amount becomes payable with interest. The deferred taxes for any given year may be paid in that year without the qualifying tract of land becoming ineligible for deferred status.

APPLICATION PROCESS

The deadline for first time applicants is January 31 of the year you are applying for or within 60 days of a transfer for a parcel already in the program. Applications may be obtained by contacting the local county tax office. This is a voluntary program which has both benefits (lower taxes) and consequences (billing of deferred taxes, with interest, when property loses eligibility). This is a deferred program and not an exemption.

LEE COUNTY APPRAISAL DEPT.

106 Hillcrest Drive
Sanford, NC 27330
Phone: 919-718-4660
www.leecountync.gov

ADDITIONAL INFORMATION

NC Dept. of Revenue: www.dor.state.nc.us
NC Dept. of Agriculture: www.ncagr.gov
NC Dept. of Horticultural Science: www.cals.ncsu.edu
NC Dept. of Forest Res: www.ncforestservice.gov
NC Wildlife Resource Comm: www.ncwildlife.org



Present-Use Valuation

AGRICULTURAL



HORTICULTURAL



FORESTRY



EXPLANATION OF PRESENT-USE

The Present-use valuation program is a state mandated program designed to give relief to specific landowners and their property that is managed soundly in the commercial production of agricultural, horticultural or forestry products.

Generally, all property in North Carolina is valued at its Market Value. Market value is the estimated price at which property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or sell, and both having reasonable knowledge of the property. Property that qualifies for present-use valuation (PUV) is assessed at PUV rather than its market value. PUV is the value of land in its current use as agricultural land, horticultural land or forestland based solely on its ability to produce income and assuming an average level of management. PUV is usually much less than market value resulting in a much lower tax bill. The difference between market value and the PUV is called deferred value. When land no longer qualifies for PUV, taxes are billed against the deferred value for the current year and for the three previous years along with interest. Deferred tax bills are due and payable immediately.

When land is approved for present use value assessment, the tax levy is applied to the value of the land based on its soil type and the way it is being used, rather than the market value of the land.

EXAMPLE

Market Value	\$ 100,000
Use Value	\$ 25,000
Deferred Value	\$ 75,000

The market value of this parcel of land is \$100,000. Because it qualifies for present use value assessment, the use value is calculated to be \$25,000. This value is determined by the use of the land and the soil type. The difference between market value and use value is deferred value. **The tax bill will be calculated based on the use value of \$25,000.** The difference in taxes (rate X deferred value) will be carried forward on the tax books, but will not be billed for the current tax year. Taxes on the deferred value could become due and payable if there was a change in ownership or use of the land.

REQUIREMENTS

There are four requirements that PUV land must meet in order to qualify for the PUV Program. Forestland only has to meet three of the requirements since the income requirement does not apply. **1. Ownership 2. Size 3. Income 4. Sound Management**

OWNERSHIP REQUIREMENTS

The applicant must have owned the land for at least four full years before making application in January, or the land was qualified for present use in the hands of the previous owner at time of transfer and the new owner files an application within 60 days of transfer. If the owner resides on the property the land may qualify for present use assessment without the four year waiting period. Owners who already have property in the program may add acquired tracts during the next listing period. Ownerships are generally limited to individuals, trust, and certain farm related business entities. The ownership requirements are the same for all types of present use value.

SIZE REQUIREMENTS

At least one tract must meet the minimum acreage requirement of 5 acres for horticultural classification, 10 acres for agricultural classification and 20 acres for forestry classification.

INCOME REQUIREMENTS

Property must have produced an average of \$1,000 of gross income from the sale of the products per year for the previous 3 years proceeding January 1 of the year the application is filed. The income requirement is not applicable to forestry applications.

SOUND MANAGEMENT

Sound management is a program of production designed to obtain the greatest net return from the land consistent with its conservation and long-term improvement. This definition continues the overall theme that present-use valuation is designed for properties that are legitimate and active farming operations. Sound management requires land to be used for the production of agricultural, horticultural or forestry products in a manner that maximizes the return from the land.

AGRICULTURAL PRESENT USE

Agricultural land is land that is actively engaged in the commercial production or growing of crops, plants, or animals. This includes such items as: corn, beans, wheat, tobacco or livestock. Agriculture land can include less than 20 acres of woodland used for wind and erosion control.

HORTICULTURAL PRESENT USE

Horticulture land is land that is actively engaged in the commercial production or growing of fruits, vegetables, nursery products or floral products.

FORESTRY PRESENT USE

Forestland is land that is actively engaged in the commercial production of trees. Actual production of forestland includes a Sound Forestry Management Plan for the commercial production of timber products. The management plan must have **five key elements** which include landowner objectives, map of location showing property boundaries and different stand types, inventory and stand descriptions, harvest methods and dates, and regeneration techniques. The plan must be in effect January 1 of the year application is made.

WILDLIFE CONSERVATION PROGRAM



Red-Cockaded Woodpecker

Wildlife conservation land must be managed under a written Wildlife Habitat Conservation Agreement with the NC Wildlife Resource Commission which protects an animal species on the protected animal list or conserves certain priority wildlife habitats. The agreement must be in effect on January 1 of the year the benefit is applied for. The parcel must be at least 20 acres with no more than 100 acres.